

SENATE BILL 415
EMERGENCY BILL

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2004 Regular Session
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CF HB 3

By: **Senators Stone, Miller, Astle, Brinkley, Britt, Brochin, Colburn, Conway, Currie, DeGrange, Della, Dyson, Exum, Forehand, Frosh, Garagiola, Giannetti, Gladden, Green, Greenip, Grosfeld, Hafer, Haines, Harris, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Jones, Kasemeyer, Kelley, Kittleman, Klausmeier, Kramer, Lawlah, McFadden, Middleton, Mooney, Munson, Pinsky, Pipkin, Ruben, Schrader, Stoltzfus, and Teitelbaum**

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Assigned to: Education, Health, and Environmental Affairs

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 16, 2004

CHAPTER _____

1 AN ACT concerning

2 **Hurricane Isabel Disaster Relief Act**

3 FOR the purpose of establishing the Hurricane Isabel Housing Rehabilitation and
4 Renovation Program in the Department of Housing and Community
5 Development; providing that the Program shall include projects in which the
6 Department ~~grants provides~~ loans ~~or serves as guarantor of loans~~ to rehabilitate
7 or renovate primary residences, credit enhancements for private market loans to
8 rehabilitate, renovate, or replace primary residences, and financial assistance
9 under a certain buy-down program under certain circumstances; requiring the
10 Secretary to adopt guidelines and procedures for implementing the Program;
11 requiring the Department to make all reasonable efforts to publicize the
12 Program under certain circumstances; specifying the programs and funds that
13 the Department may utilize to ~~grant provide~~ loans or ~~serve as guarantor~~ credit
14 enhancement of private market loans under the Program; imposing certain
15 requirements for conditions on the terms and ~~conditions~~ provisions of certain
16 loans granted provided by the Department under the Program; authorizing the
17 Department to require local governments and applicants for certain loans to
18 demonstrate contribution or receipt of certain resources under certain
19 circumstances; authorizing the Department to establish priorities for making
20 loans under certain circumstances; imposing certain requirements for the terms
21 and conditions under which the Department may ~~serve as guarantor of provide~~
22 credit enhancement for private market loans under the Program; requiring the

1 Department to approve and make available to prospective borrowers a list of
2 certain financial institutions; prohibiting the Department from charging a
3 premium or administrative fee for providing credit enhancement for private
4 market loans under certain circumstances; authorizing the Department to
5 establish a certain buy-down program under certain circumstances; authorizing
6 the Department to set the terms and conditions for financial assistance under
7 the buy-down program; prohibiting certain provisions concerning eligibility
8 requirements for or restrictions on the receipt of certain financial assistance
9 from applying under certain circumstances; requiring the Department to
10 continue to explore ~~and expand~~ opportunities to provide reverse equity
11 mortgages under certain circumstances; requiring the Department to issue
12 certain reports to the General Assembly on or before certain dates; making this
13 Act an emergency measure; providing for the termination of certain provisions
14 of this Act; and generally relating to the Hurricane Isabel Disaster Relief Act.

15 Preamble

16 WHEREAS, The devastation caused by Hurricane Isabel in September 2003
17 impacted communities across the State; and

18 WHEREAS, The cost to date of repairing the property damage exacted by
19 Hurricane Isabel has totaled in the tens of millions of dollars; and

20 WHEREAS, The temporary housing and home repair funds that are provided by
21 existing State and federal emergency assistance programs, as well as private
22 insurance, are either of limited duration or leave substantial needs unmet for many
23 victims of Hurricane Isabel; and

24 WHEREAS, While most areas in the State that were hit hard by Hurricane
25 Isabel are now well on their way to recovery, several communities are still struggling;
26 and

27 WHEREAS, As we enter the coldest part of the winter season, over 300 families
28 remain in temporary housing or are on a waiting list for housing assistance from the
29 Federal Emergency Management Agency (FEMA); and

30 WHEREAS, The State is compelled to design a program to assist those who need
31 "gap" funding for property damage incurred beyond the limits set by insurance and
32 State, federal, or private market loans and grants for projects to rehabilitate,
33 renovate, or replace primary residences damaged by Hurricane Isabel; and

34 WHEREAS, As expeditiously as possible, the State needs to develop innovative
35 and effective means to address the unmet housing needs of these Maryland families
36 who have suffered such devastating losses; now, therefore,

37 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
38 MARYLAND, That:

39 (a) There is a Hurricane Isabel Housing Rehabilitation and Renovation
40 Program within the Department of Housing and Community Development.

1 (b) (1) The Department shall operate the Program as provided in this Act to
 2 benefit the families whose primary residences were damaged by Hurricane Isabel.
 3 The Program shall include projects in which the Department provides:

4 (i) ~~grants~~ grants low interest loans for ~~second~~ first or subordinate
 5 mortgages to rehabilitate or renovate primary residences; ~~or~~

6 (ii) ~~serves as guarantor of credit enhancement for~~ loans obtained in
 7 the private market to rehabilitate ~~or~~, renovate, or replace primary residences, subject
 8 to funds being held in reserve for that purpose; or

9 (iii) financial assistance under a buy-down program that reduces
 10 the amount a borrower pays on a loan obtained from the private market or from the
 11 Department for a defined period of time.

12 (2) (i) The Secretary shall adopt guidelines and procedures for
 13 implementing the Program so as to expedite the granting provision of assistance to
 14 families whose primary residences were damaged by Hurricane Isabel.

15 (ii) The Department is not required to adopt regulations for the
 16 implementation of the Program, but shall make all reasonable efforts to publicize the
 17 eligibility requirements for the Program and the availability of benefits under the
 18 Program.

19 (3) The Program shall include coverage for the repair or replacement of
 20 water and sewer systems, including septic systems.

21 (c) The Department shall ~~grant~~ provide loans or ~~serve as guarantor of credit~~
 22 enhancement for private market loans under the Program utilizing funds from:

23 (1) the Maryland Housing Rehabilitation Program;

24 (2) the Maryland Housing Fund for credit enhancement, subject to funds
 25 being held in reserve for that purpose; and

26 (3) any other State or federal housing or community development
 27 program or fund.

28 (d) (1) This subsection applies to low interest loans ~~granted for second~~
 29 provided for first or subordinate mortgages to rehabilitate or renovate primary
 30 residences.

31 (2) ~~The Program is designed to provide "gap" funding for property~~
 32 ~~damage incurred beyond the limits set by insurance and State, federal, or private~~
 33 ~~market loans and grants for projects to rehabilitate or renovate primary residences~~
 34 ~~damaged by Hurricane Isabel.~~

35 (3) (2) The terms and provisions of a loan ~~granted~~ provided in
 36 accordance with this subsection shall ~~satisfy the terms and provisions under the~~

1 ~~program or fund from which the funds are utilized for the loan, except that conform to~~
 2 the following conditions:

3 (i) the interest rate shall be set by the Department between 0.0%
 4 and 2.5%;

5 (ii) the payment of the principal on the loan shall be deferred until
 6 the sale or transfer of the primary residence or the refinancing of the ~~first~~ prior lien
 7 mortgage or deed of trust on the primary residence;

8 (iii) notwithstanding the income eligibility requirements of the fund
 9 or program from which funds are utilized for providing a loan, the maximum income
 10 eligibility requirements for a loan shall be 125% of the maximum income limits under
 11 the Maryland Housing Rehabilitation Program for the Washington D.C. Metropolitan
 12 Statistical Area;

13 ~~(iii)~~ (iv) ~~after satisfying the income eligibility requirements,~~
 14 priority shall be given to families who have been relocated into temporary housing by
 15 or have received rental assistance from FEMA, and to families who have not obtained
 16 any assistance from FEMA but otherwise qualify for such assistance; and

17 ~~(iv)~~ (v) the availability of comparable private market financing
 18 may not be an impediment to obtaining the loan.

19 (3) The Department may require local governments to demonstrate a
 20 contribution of resources satisfactory to the Department before the Department
 21 provides loans under this subsection.

22 (4) The Department may require an applicant for a loan under this
 23 subsection to demonstrate that the applicant has applied and received all possible
 24 assistance from FEMA, the Small Business Administration (SBA), or other
 25 governmental or commercial sources, including hazard insurance.

26 (5) The Department may require an affidavit from an applicant for a
 27 loan under this subsection confirming other governmental or commercial sources of
 28 assistance, which may be shared with FEMA, SBA, or other governmental agencies
 29 that provide assistance.

30 (6) The Department may establish priorities for making loans available
 31 under this subsection.

32 (e) (1) This subsection applies to housing rehabilitation ~~or~~ renovation, or
 33 onsite replacement loans obtained in the private market for which the Department
 34 ~~serves as guarantor~~ provides credit enhancement.

35 (2) The Program is designed to facilitate the availability and utilization
 36 of private market loans for the rehabilitation ~~and~~ renovation, or onsite replacement
 37 of primary residences damaged by Hurricane Isabel by a family:

1 (i) who otherwise meets the qualifications for a loan offered by a
2 financial institution; and

3 (ii) 1. who has been relocated into temporary housing by or has
4 received rental assistance from FEMA, or who has not obtained any assistance from
5 FEMA but otherwise qualifies for such assistance; or

6 2. whose primary residence has been found to be partially or
7 totally uninhabitable.

8 (3) A loan for which the Department ~~serve as guarantor~~ provides credit
9 enhancement under this subsection:

10 (i) may include the refinancing of existing mortgage loans on the
11 primary residence; and

12 (ii) may not include a home equity line of credit.

13 (4) The Department shall approve and make available to prospective
14 borrowers a list of financial institutions that are willing to offer loans for which the
15 Department may ~~serve as guarantor~~ provide credit enhancement under this
16 subsection.

17 (5) The Department shall ~~serve as guarantor~~ provide credit
18 enhancement of a loan under this subsection for the amount of the loan proceeds that
19 is over ~~90%~~ 80% and up to 115% of the ~~expected~~ fair market value of the ~~home~~
20 property after the rehabilitation and, renovation, or onsite replacement is completed,
21 as determined by an appraisal ~~at the time the loan is closed~~ used to process and
22 approve the loan.

23 (6) (i) The Department shall ~~ensure~~ determine that the terms and
24 provisions of a loan offered by a financial institution for which the Department ~~serves~~
25 ~~as guarantor~~ provides credit enhancement are reasonable and reflective of the
26 mortgage market.

27 (ii) The payment of the principal and interest on loan proceeds paid
28 out from time to time as renovations and rehabilitations are completed may be
29 deferred until all loan proceeds have been paid out or until 12 months after the first
30 disbursement of loan proceeds, whichever occurs first.

31 (iii) ~~The payment of the principal and interest on a loan after all~~
32 ~~loan proceeds have been paid out or after 12 months following the first disbursement~~
33 ~~of loan proceeds, whichever occurs first, may not be deferred and shall be amortized~~
34 ~~over the remaining term of the loan.~~

35 (7) The Department may not charge a premium or administrative fee for
36 credit enhancement provided under this subsection.

1 (f) (1) The Department is authorized to establish a buy-down program to
2 assist families who may not be eligible for assistance from the Department under
3 subsection (d) of this section.

4 (2) Financial assistance provided under the buy-down program shall
5 reduce the amount a borrower pays on a loan obtained in the private market or from
6 the Department for a defined period of time by making funds available that
7 effectively reduce the interest rate or otherwise reduce the amount the borrower is
8 required to pay.

9 (3) The buy-down program may be funded from:

10 (i) the Special Loan Programs Fund;

11 (ii) the Homeownership Programs Fund; or

12 (iii) any other source of funds available to the Department.

13 (4) The Department may set the terms and conditions for financial
14 assistance under the buy-down program.

15 (5) The provisions of Article 83B of the Annotated Code of Maryland
16 concerning eligibility requirements for or conditions or restrictions on the receipt of
17 financial assistance from the Department, including maximum income limits, do not
18 apply to financial assistance provided to borrowers under the buy-down program.

19 (6) The amount of financial assistance a borrower may receive under the
20 buy-down program may be adjusted, at the discretion of the Department, based on
21 the income of the borrower.

22 ~~(f)~~ (g) The Department shall continue to explore ~~and expand~~ opportunities
23 to provide reverse equity mortgages to those families who may choose to use this
24 method of financing home rehabilitation and renovation projects, particularly those
25 families whose homes were damaged by Hurricane Isabel.

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
27 Housing and Community Development shall issue to the General Assembly, in
28 accordance with § 2-1246 of the State Government Article, a preliminary report on or
29 before September 30, 2004 and a final report on or before September 30, 2005 on the
30 implementation of this Act. The reports shall include:

31 (a) with reference to loans provided by the Department, the amounts of the
32 loans and the borrowers' counties of residence;

33 (b) with reference to loans obtained in the private market for which the
34 Department provided credit enhancements, the amounts of the credit enhancements,
35 the borrowers' counties of residence, the names of the financial institutions that
36 provided the loans, and the amounts of the loans; and

1 (c) with reference to other financial assistance provided, including financial
2 assistance provided under the buy-down program, the amounts and sources of the
3 financial assistance and the borrowers' counties of residence.

4 SECTION ~~2-3.~~ AND BE IT FURTHER ENACTED, That this Act is an
5 emergency measure, is necessary for the immediate preservation of the public health
6 or safety, has been passed by a ye and nay vote supported by three-fifths of all the
7 members elected to each of the two Houses of the General Assembly, and shall take
8 effect from the date it is enacted. ~~It~~ Section 1 of this Act shall remain effective
9 through May 31, 2005 and, at the end of May 31, 2005, with no further action
10 required by the General Assembly, Section 1 of this Act shall be abrogated and of no
11 further force and effect.